

NEWS RELEASE

FOR RELEASE _____

Bowman and Miller, P.C. today released an audit report on Tama County, Iowa.

The County had local tax revenue of \$20,225,899 for the year ended June 30, 2006, which included \$1,286,430 in tax credits from the state. The County forwarded \$13,627,184 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$6,598,715 of the local tax revenue to finance County operations, a 6.2 percent increase from the prior year. Other revenues include charges for services of \$1,777,815, operating grants, contributions and restricted interest of \$4,902,242, capital grants, contributions, and restricted interest of \$1,652,548, local option sales tax of \$465,352, unrestricted investment earnings of \$180,785 and other general revenues of \$15,212.

Expenditures for County operations totaled \$13,196,764, a .2 percent increase from the prior year. Expenditures included \$5,605,785 for Roads and Transportation, \$2,329,684 for Public Safety and \$1,725,503 for Mental Health.

A copy of the audit report is available for review in the office of the Auditor of State and the County's Auditor's office.

TAMA COUNTY

**Independent Auditors' Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings and Questioned Costs**

June 30, 2006

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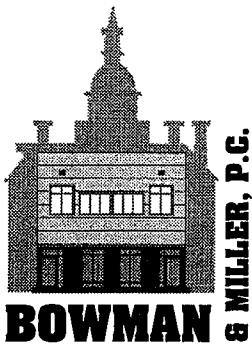
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Tama County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Keith Sash	Board of Supervisors	January 2009
Patrick Henry	Board of Supervisors	January 2009
Larry Vest	Board of Supervisors	January 2007
John A. Adams (resigned July 7, 2006)	County Auditor	January 2009
Sandra K. Fowler	County Treasurer	January 2007
Deborah Kupka	County Recorder	January 2007
Dennis Kucera	County Sheriff	January 2009
Brent D. Heeren	County Attorney	January 2007
Beth Weeks	County Assessor	January 2007



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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Independent Auditors' Report

To the Officials of Tama County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Tama County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Tama County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Tama County at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 20, 2006 on our consideration of Tama County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 19 and 48 through 51 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and

presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tama County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bowman and Miller, P.C.

November 20, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Board of Supervisors of Tama County provides a Management Discussion and Analysis to accompany Tama County's financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the County's financial statements, which follow the analysis.

The Financial Reporting Procedures adopted by Tama County reflect the implementation of the Governmental Accounting Standards Board (GASB) Statement 34, which established new requirements for annual financial reports for state and local governments. GASB 34 was developed nationally to promote uniformity in reporting standards. Hopefully, the new reporting format will make annual reports easier to understand and more useful to the people who use governmental financial information such as managers, legislative officials, creditors, financial analysts, citizen groups and the general public. The minimum required financial presentation under GASB 34 includes the five (5) following criteria:

1. Management's discussion and analysis (MD&A) will provide an analysis of Tama County's financial activities for a fiscal year based on currently known facts, decisions, and conditions.
2. The government-wide financial statement will display fiscal information about the government as a whole. This statement will measure and report all assets, liabilities, revenues, expenses, gains, and losses using the economic resources measurement focus and accrual basis of accounting.
3. The fund financial statements will display information about the major funds individually and the non-major funds in the aggregate. Financial statements will be presented using the current financial resources measurement focus and the modified accrual basis of accounting.
4. Notes to the financial statements.
5. Required supplementary information (other than MD&A) will include required budgetary comparison information.

2006 FINANCIAL HIGHLIGHTS

Total revenues reported for fiscal year 2006 were \$13,954,258. Property taxes are 47.6 percent of the revenues received. County revenues from other governmental sources (State grants and reimbursements; local governmental reimbursements) increased \$183,554 from \$6,258,963 to \$6,442,517 or 2.9% from fiscal year 2005 to 2006. County taxes, including property tax and local option sales and service tax, increased \$262,464 or 4.1% from \$6,376,769 to \$6,639,233. The County's portion of Local Option Sales Tax decreased from \$512,969 in fiscal year 2005 to \$465,352 in fiscal year 2006. Property taxes alone increased \$312,410 (5.3%). County revenues from fees charged for certain services are estimated at 4 percent of the total revenues each year. Most of the revenue is collected for general fund from activities such as motor vehicle licensing, driver licensing, camping fees, recording of public documents, and health services. Fees charged for services decreased \$54,479 (9.4%) from \$576,931 in 2005 to \$522,452 in fiscal year 2006.

Community Development Block Grant (CDBG) funds for the 2004 Home Ownership Program, for first time homebuyers, extend into fiscal years 2005 and 2006. In fiscal year 2006, funds totaling \$88,080 were spent to improve homes and administer the program. The program was administered by Region Six Planning Commission for Tama County in fiscal year 2006 improving 8 houses in the participating cities in the county. During the third phase of this program (FY2007), another 10 houses for first time homeowners will be improved. Maximum allowed per house is \$24,999 with 10 percent matching funds provided by the participating city.

County program expenses totaled \$13,728,903 in fiscal year 2006. This represents an increase of \$394,363 from the \$13,334,540 expended in fiscal year 2005. This was an increase of 3% in 2006. The Secondary Road Fund expenses

decreased from \$5,362,176 in fiscal year 2005 to \$4,971,312 in fiscal year 2006 primarily due to a decrease in capital project construction. A large part of the increase in overall expenditures was due an increase in mental health costs. The 2006 cost of capital assets is \$37,671,688 and the accumulated depreciation is \$17,682,986. These assets include capital assets used in governmental activities that are not current financial resources and, therefore, are not reported in the funds. This leaves a net capital asset value of \$19,988,702, an increase of \$1,909,807 from fiscal year 2005.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Tama County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Tama County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the County acts solely as an agent or custodian for the benefit of those outside of the government.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the County's budget for the year.

Supplementary Information provides detailed information about the non-major special revenue and the individual fiduciary funds.

REPORTING THE COUNTY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

Two questions can be asked in order to help determine the County's ability to plan its financial future. The first question, "Is the County prepared to provide the required and desired services to its citizens in accordance with sound fiscal policy?" suggests that the County's policy for providing services must be well funded to continue responsibly. Inadequate funding is a detriment to consistent and reliable services. The second question, "Is the County committed to continue this level of service while maintaining its sound fiscal responsibility to its employees and citizens?" recognizes the County has current obligations to support its programs. Increases or reductions in services should reflect the needs of the community as well as the citizens' ability and desire to fund the services. The second question also extends to the County's employees. Is the County prepared to attract, hire, and keep qualified personnel to satisfactorily administer the public service programs delivered to its citizens? To this end employees should be afforded a fiscally sound, reliable, and respectable employer that is able to meet its obligations and provide for a steady workplace in the future. The public also demands assurances from Tama County that it will responsibly plan and perform its activities in order to promote a stable community service base.

The following statements of activities, net assets, and fund balances report information about the County as a whole, and about its activities, which will assist in evaluating these questions. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus which is similar to the

accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are displayed in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration or general government, interest on long-term debt and other non-program activities. Property tax and state and federal grants finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statement provides data and information about the major funds individually and the non-major funds in the aggregate.

The County has three groups of funds: Governmental, Proprietary, and Fiduciary.

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending during the following fiscal year. These governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Mental Health, Rural Service, and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. The governmental funds required financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

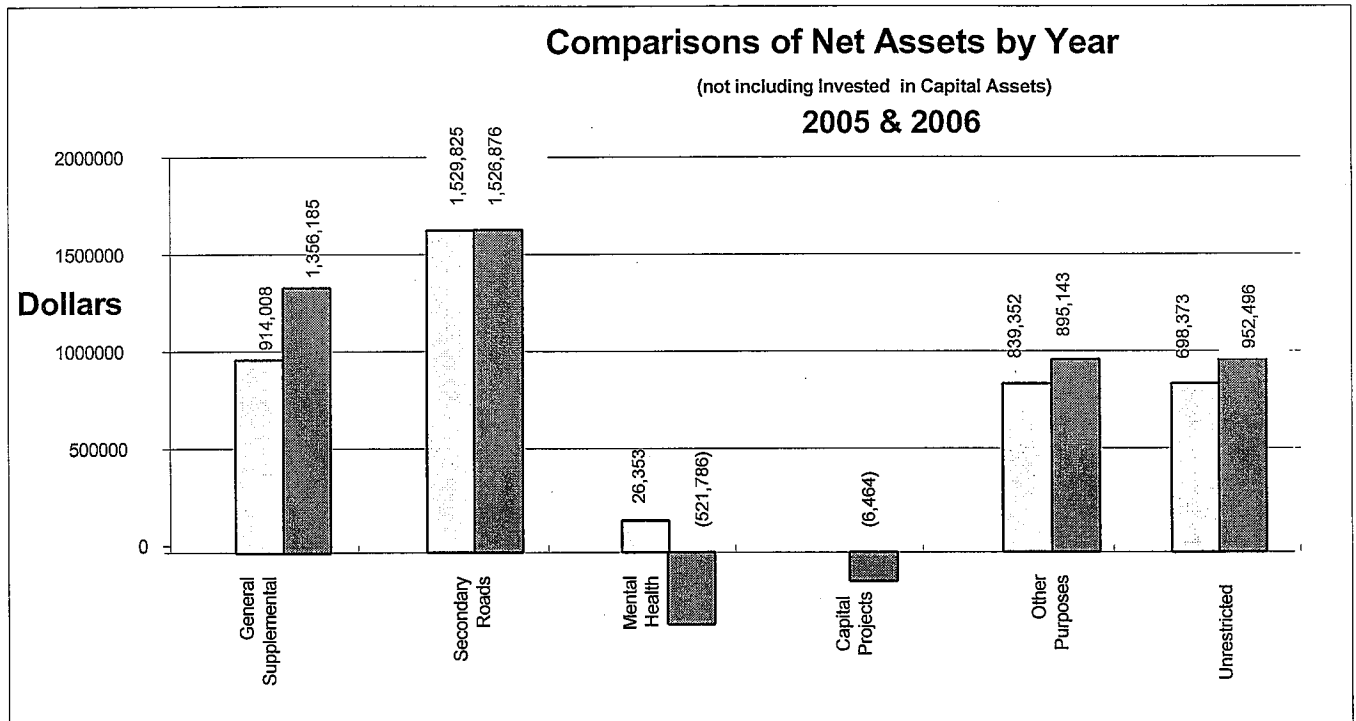
2) Proprietary funds account for the County's employee group health insurance and risk pool insurance, internal service funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The proprietary funds required financial statements include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the government's own programs. These fiduciary funds include agency funds that account for drainage districts, emergency management agency, E-911, economic development, empowerment board, county assessor, and the landfill commission. The fiduciary funds required financial statements include a statement of fiduciary assets and liabilities. A summary reconciliation between the government-wide financial statements and the fund financial statements follows the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET ASSETS

The year to year net asset reporting and changes in net assets of the County's governmental activities may serve as a useful indicator of the County's financial position. The County's combined net assets include capital assets and other assets identified by activity. Other net assets are listed by activity in the chart below.



CAPITAL ASSETS

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The County's capital assets were initially reported in the fiscal year 2003 audit. The 2006 cost of capital assets is \$37,671,688 and the accumulated depreciation is \$17,682,986. This leaves a net capital asset value of \$19,988,702 at June 30, 2006.

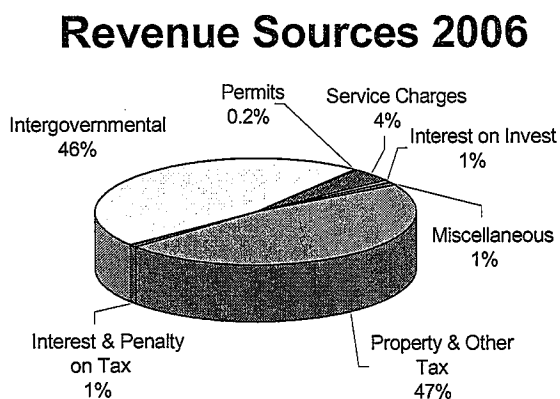
These capital assets (land, roads, roadsides, and buildings) have been purchased over several decades and are now being reported as part of the County's financial operation in accordance with GASB Statement 34. This infrastructure value is not related to any debt obligation of the County. Increases or decreases in capital asset values will allow the management and the public to compare variations in quality over time. Construction and re-construction of capital assets such as roadways can add to the net asset value base.

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of activities.

Unrestricted net assets not related to debt are part of the net assets that can be used to finance day-to-day operations without constraints relating to legislation, general obligation bonds, or other legal requirements. Funds used to purchase major equipment or construct roadways are budgeted annually for ongoing infrastructure enhancements to lengthen the useful life of the County's capital asset investments. The County adopts a new 5-year road construction plan each year to recognize the current needs for road maintenance and bridge replacement.

The Secondary Road fund decreased its expenditures for roadway construction in the capital projects portion of its budget in fiscal year 2006 to \$118,180, a reduction from \$267,063 in fiscal year 2005. Other major road construction and maintenance projects not related to capital projects were started and/or completed. Ongoing commitments to construction dollars from the Secondary Road fund may vary depending upon the availability of other funds from the State and from the Iowa Department of Transportation farm-to-market account.

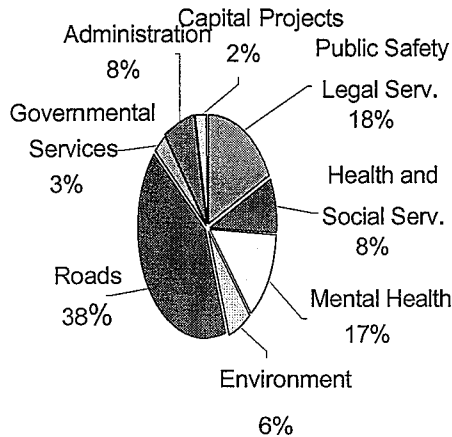
REVENUE SOURCES: County revenues are described in categories noted in this audit as Property and other county tax; Interest and penalty on property tax; Intergovernmental; Licenses and permits; Charges for service; Use of money and property; and Miscellaneous revenues. The chart below can be used as a quick comparison for the significance of each type of revenue.



County revenues consist largely of revenue from the State of Iowa and property taxes (93%). The State's distribution of road use tax for the Secondary Road Fund amounted to \$3,061,638 or 47% of the Intergovernmental revenue. As shown, Charges for Services amounted to \$522,452 (4%) representing the third largest revenue type for Tama County in 2006. Fees for services are paid by non-government sources. The following fees were placed into the General Fund by: Auditor, \$2,625; Recorder, \$106,351; Treasurer, \$152,673; Sheriff, \$93,672; Conservation Board, \$40,172; and Public Health, \$105,355. Fees charged for services are set by the State or other program designs and do not offset property tax revenues. Reductions in Intergovernmental revenue from the State may affect the property taxes levied by County Boards of Supervisors or may reduce services provided to residents.

EXPENDITURES: The County's budget for expenditures is defined by areas of service as required by the State of Iowa. The services categorized in the county budgets are Public Safety and Legal Services; Physical Health and Social Services; Mental Health; County Environment and Education; Roads and Transportation; Government Services to Residents; Administration; Non-program; and Capital Projects. The chart below can be used as a quick comparison for the significance of each type of service area expense.

EXPENDITURES 2006



Expenditures largely represent statutorily required services provided by county government for the State of Iowa. The Roads and Transportation portion of the budget (38%) represents one of the most visible of county services, and predictably the most used. The rural transportation system is at the heart of the agricultural community in Iowa.

Public safety and legal services (18%) provides for law enforcement and court related activities. Several local communities including the Sac & Fox Settlement contract for patrol services.

Mental health (17%) is an activity supported largely by State shared revenue. The county's share of support (22%) is supplied by property tax. Local health programs (8%) are also largely supported by fees charged to customers utilizing nursing care and related services. In addition to private fees, federal funds are also received for services to eligible clients. Other health related grants from the State also help support ongoing programs for families and the elderly.

The following table compares expenditures between fiscal years 2006 and 2005.
Expenditures are listed by service activity area.

Expenditure Activity for All Funds		
Expenditures:	2006	2005
Public Safety and Legal Services	2,480,455	2,393,260
Physical Health and Social Services	1,121,910	1,098,652
Mental Health	2,387,504	1,758,508
County Environment and Education	579,237	769,588
Roads and Transportation	5,197,434	5,532,296
Government Services to Residents	533,397	433,550
Administration	1,107,117	1,031,431
Non-program	827	198
Capital Projects	321,022	317,057
Total Expenditures	13,728,903	13,334,540
Increase in Expenses over Prior Year	394,363	625,688

Most of the increase in expenditures is due to grant programs, wages, and other inflationary factors.

THE COUNTY'S INDIVIDUAL MAJOR FUNDS

GENERAL FUND NARRATIVE

The General Fund is the operating fund of Tama County. It is used to account for most financial resources. The Rural Services Fund, Mental Health Fund, and Secondary Roads Fund are legally required to be separate funds for accounting and auditing purposes.

The General Fund is comprised of two separate funds, the General Basic and the General Supplemental. The General Basic has a maximum levy rate of \$3.50 per \$1,000 of taxable valuation. The General Supplemental fund is for specific uses as defined in Section 331.424 of the *Code of Iowa*. If the General Fund has reached its levy limit, the County may use the General Supplemental Fund to budget for certain expenditures deemed to be mandated services or to budget for employee benefits. General Supplemental Fund activities include providing court facilities, court related expenses, juvenile court services, juvenile detention and shelter care services, elections and voter registration, employee health insurance benefits, unemployment insurance, and tort liability and property insurance. The General and General Supplemental fund are combined for auditing purposes. In fiscal year 2006 the Board of Supervisors levied \$4,547,744 in property tax dollars to help cover \$6,568,873 in General and Supplemental Fund budgets. This 17.1 % tax increase in the General funds represents all of the total increase in taxes for all funds in fiscal year 2006. This increase was largely due to building the ending fund balances to a proper level and other inflationary factors. Projected reductions in the county's taxable valuation for the General Fund may require the Board to budget for other allowable expenses in the General Supplemental Fund in 2007.

Legislation adopted during the 1998 legislative session, Senate File 2416, removed the property taxation valuation for gas and electric utilities and changed the way gas and electric utility companies are taxed. The property taxes have been replaced with a "Utility Tax Replacement Excise Tax" based upon energy delivered. Fiscal year 2001 was the first year that the legislation was in effect. Dollars apportioned to counties could be limited by the State's budget constraints. Any loss of excise taxes from the State for gas and electrical utilities is a direct shift of property taxes to other classes of property. In fiscal 2006, the General Fund received \$129,936 in excise tax as compared to \$125,723 in 2005.

The combined year-end balance in the General Fund and General Supplemental Fund for fiscal year 2006 was of \$2,337,084. Future additions to property taxes are planned in order to retain a 25% fund balance for subsequent years. The ending fund balances vs. percent of actual expenditures were FY 2003 \$1,093,049 (20.8%), FY 2004 \$1,106,927 (21.8%), FY 2005 \$1,626,239 (26.3%) and FY 2006 2,337,0084 (41.9%).

Increases or decreases to the budgeted fund balance for the General Basic and General Supplemental funds will be limited to the amount necessary to maintain the targeted fund balance. An adequate fund balance is necessary for proper cash flow at the beginning of the new fiscal year and for contingency purposes in accordance with the County's financial policies.

The County's capital improvement plan to existing facilities is limited to projects related to building security, technology, remodeling and normal maintenance. In the fiscal 2005 and 2006 budgets, this funding was reduced to \$10,000 in the General Fund due to other budget constraints.

For accounting purposes, the County has established special revenue funds to report the revenues, transfers, and expenditures for some capital project budgets. Each fiscal year the Board budgets approximately \$45,000 for technology maintenance and enhancements. Information technology support contracts, software licensing, and server enhancements that are necessary for maintaining the county's computer system.

The annual transfer from the General Basic fund to the Secondary Roads fund was \$111,512 for fiscal 2006, based on the formula provided in the *Code of Iowa*. The budgeted transfer for fiscal year 2007 is \$119,177. The Board intends to levy the maximum allowed dollars each year from the General Fund for its support of the Secondary Roads Fund. In fiscal 2005, the agriculture land values were reduced by 13.68 % due to an equalization order imposed by the State Department of Revenue. This reduced the amount of funds that can be transferred to the Secondary Road Fund from the General Fund by approximately \$8,000.

SPECIAL REVENUE FUNDS NARRATIVE

Special Revenue Funds are used to account for the specific budgeted revenues and expenditures not identified as a general county administration or programs that are restricted by State statute for specified purposes. Special revenue fund balances are combined for reporting and auditing purposes. However, the activity represented by each special revenue fund is distinct and unrelated. The MH/DD fund and the Rural Services fund are the only special revenue funds that have a separate tax levy. Each special revenue fund is also audited for its particular function. A brief description of the major special revenue funds follows.

1. The MH/DD Services Fund (0010) is used to provide mental health, mental retardation, and developmental disabilities services to county residents as defined in Section 331.424A of the *Code of Iowa*. The single entry Point of process (Section 331.440, *Code of Iowa*) for persons applying for MH/DD services is administered by the county's Central Point of Coordination office (CPC). The CPC is responsible for using the available dollars to serve individuals diagnosed with mental illness, mental retardation, or developmental disabilities. When costs for services exceed the estimated budget, the CPC authorizes a waiting list for client applications until additional funding becomes available.

The MH/DD Fund is limited by State statute in the amount of significant revenue that it may receive. State funding requirements for fiscal 2003 stipulate that county MH/DD ending fund balances must not exceed 10% of expenditures on an accrual basis. Tama County's base year property tax relief is \$548,319. This is a State appropriation. The property tax relief funding will save residents \$0.80 per thousand on their property tax bills in fiscal 2006 and 2007. The maximum property tax levy is \$568,799. State funds received in excess of the \$1,117,118 base year expenditure limit for MH/DD Fund (a combination of the State's property tax relief payment and County property taxes levied) is provided as community service grants and allowable growth funding from the State. Fees charged for case management and supported employment offset direct and indirect costs associated with these services. State funds for the allowed growth factor adjustment addresses the costs associated with new clients, service cost inflation, and investments for economy and efficiency. In developing the service cost inflation recommendation, the State considers the cost trends indicated by the gross expenditure amount reported in the county's annual expenditure report. The county becomes eligible for allowable growth funding when the ending balance is less than 10 percent.

The Board of Supervisors has determined that the MH/DD fund balance must be adequate to begin the new fiscal year and stay within the State's guidelines. The desired ending balance is estimated to be \$170,000 (or about 10% of expenditures). If the ending balance is projected to be considerably lower than the 10% level, the CPC must reduce expenditures that are not supported by service fees or grants. In recent years, the CPC has initiated a waiting list for client applications for service. Fiscal year 2004 ended with an accrual balance of \$137,152 (8.1%); fiscal year 2005 ended with an accrual balance of \$33,849 (1.9%); and fiscal year 2006 ended with a deficit balance of (\$515,266). This deficit balance is related to the supported employment services that the County provided beginning in 2003. The supported employment program was a 28E agreement that served clients in Tama, Poweshiek, and Hardin Counties in fiscal year 2005 and 2006. A shortfall in federal funding support from Vocational Rehabilitation did not permit Tama County to continue providing supported employment services to other counties' clients and agreed upon federal funding was never received. The CPC and Board of Supervisors reluctantly ceased this program in August of 2005.

2. The Secondary Road Fund (0020) receives funds from the State's Road Use Tax Fund (RUTF) and transfers from the County's General Fund and Rural Fund for the majority of its operating budget. Construction and maintenance of secondary roads and bridges are the main services provided by the fund. The year-end balance can vary widely from year to year depending on the expenses related to winter weather snow removal. The fiscal year end at June 30th also occurs in the middle of the construction season. This seasonal timing can vary the amount of funds on hand at the end of the fiscal year. The Board anticipates adjustments to expenditure line items and construction projects toward the end of the fiscal year. Major adjustments are authorized by budget amendment procedures to comply with State statutes. Beginning with fiscal year 2003 Tama County will report values for infrastructure assets to comply with Governmental Accounting Standards Board Statement 34 (GASB 34). This new reporting requirement is used to estimate depreciated values for the County's infrastructure (i.e. - real estate, buildings, public roads, bridges and other road structures) attributable to Tama County's secondary road activities.

The maximum levy amount transferred from the General Fund cannot exceed the equivalent of a property tax of sixteen and seven-eighths cents (\$.16875) per thousand dollars of assessed value on all taxable property in the County. The maximum levy amount from the Rural Services Fund cannot exceed the equivalent of a property tax of three dollars and three-eighths cents (\$3.00375) per thousand dollars of assessed value on property located in the unincorporated area of the County.

For fiscal year 2006, \$111,512 was transferred from the General Fund and \$1,401,901 was transferred from the Rural Services fund. This represents the maximum allowable operating transfers from the General Fund and the maximum allowable operating transfers from the Rural Fund. The Board intends to levy the maximum dollars each year from the General Fund and Rural Service Fund for support of the Secondary Road Fund.

RUTF revenue is budgeted at \$3,012,233 in fiscal year 2007. In fiscal 2006, the Secondary Road Fund received \$3,061,638. The allocations from the State decreased in fiscal 2000 after the state legislature changed the distribution formula. A new formula has been approved by the Iowa Legislature in 2005, which is proposed to be a more predictable and equitable guide for distribution of the RUTF.

3. The Rural Services Fund (0011) tax levy is used to provide rural county services as defined in Section 331.428 of the *Code of Iowa*. The primary purpose of this fund is to provide for the transfer of funds to the Secondary Road Fund. Other uses include funding for rural services such as libraries, ambulance, road clearing, roadside vegetation management, road and bridge improvement projects (specifically those funded with Local Option Sales Tax revenue after fiscal year 2003), landfill support, township officer fees, and weed control.

This levy is applied only to taxable property located in the unincorporated areas. The Rural Services Fund levy for fiscal year 2005 was \$1,418,189; in fiscal year 2006 it was \$1,446,052; in fiscal year 2007 it will be \$1,668,608. This levy was applied against a rural taxable valuation. In fiscal year 2006, \$1,446,052 was levied against \$481,415,855 in taxable rural valuation including utility property tax. The levy for fiscal year 2007 was levied against a rural taxable valuation of \$485,723,912.

Taxable value for agricultural land is computed on a five-year productivity average as opposed to actual market value. The reduction in rural taxable valuation in fiscal year 2001 is the result of a utilities tax legislation that removed the property tax levy on natural gas and electric utilities and replaced it with an excise tax based upon energy delivered. The County's fiscal year 2003 rural services fund taxable valuation grew by 1.7% from the prior year. In fiscal 2005, the agriculture land values were reduced by 13.68% due to an equalization order imposed by the State Department of Revenue. This reduction reduced the annual amount of funds transferred to the Secondary Road Fund from the Rural Services Fund by approximately \$200,000.

In fiscal year 2004, Tama County received its first local option sales and service tax revenues. The tax revenue will be used to support Rural Fund with property tax relief (50%), road and bridge improvement projects (35%), and other rural services (15%). The funds are receipted directly into the Rural Services Fund, reducing the reliance on property taxes for rural support of landfill, ambulance, weed control, and road clearing. The County received \$512,969 for the fiscal year 2005 and \$465,352 in fiscal year 2006..

CAPITAL PROJECTS FUND NARRATIVE

Capital projects are budgeted in the General Fund and the Secondary Road Fund. The Conservation Board uses the General Fund for capital projects in the 0021 service area of the General Fund. Capital projects funds can be used as a policy making and management tool to facilitate the planning, scheduling and budgeting of public improvements for buildings and grounds over several fiscal years.

The Board established a Capital Improvements Fund to help finance building improvement projects based upon need and importance within the constraints of the County's ability to provide proper financing without borrowing money. Projects such as roads, bridges and certain conservation projects are not financed through the Capital Improvement Fund.

The Board of Supervisors adopted a strategic plan in 1997 to study the sufficient needs of office space for county officials and any related improvements to county buildings to improve efficiency. The administrative offices for the County Assessor, Auditor, Board of Supervisors, Recorder, and Treasurer (including a driver licensing station) were relocated in October 2000 to 104 W. State Street, Toledo. The court system and county attorney's office were moved into renovated offices and courtrooms in the courthouse. Improvements to the second floor of the courthouse are planned for the courtroom access area, jury room, waiting area, hallway and stairway.

Other considerations for the Capital Improvement Fund:

- A. Financial constraints including reductions in federal and state funding, property tax limitations and the impact of inflation can cause uncertainty in the capital improvement planning process during the years in which projects are scheduled to be financed.
- B. The Capital Improvement Fund should be used to maintain the County buildings and grounds in order to protect the County's capital investments, minimize future maintenance and replacement costs while providing for an adequate level of service.
- C. Each fiscal year's capital improvement budget and projects should be based upon continued analysis of the improvement plan and approved annually by the Board of Supervisors after consultation with departments. Consideration of prioritized projects that would best enhance the county's facilities and services to the citizens of Tama County should be coordinated with other County programs and activities.
- D. Expenditures identified for the Capital Improvement Fund must not exceed projected funding sources.

DEBT SERVICE FUND NARRATIVE

The County does not currently have general obligation bond indebtedness. The County has not used the Debt Service Fund since 1988, after retiring general obligation bonds for the construction of a new care facility built in 1977. The construction of the county jail in 1989 was funded by capital loan notes with payments budgeted in the General Fund in accordance with Iowa statutes. The final notes for the jail facility were paid in fiscal year 2000.

OTHER NONMAJOR SPECIAL REVENUE FUNDS NARRATIVE

Recorder's Records Management Fund (331.605A - Document management fee)

In 1993, the Iowa Legislature created a County Recorder's Records Management Fund for the purpose of preserving public records. The legislation requires that a \$1.00 fee per each recorded instrument be deposited into this fund. The fees collected, along with the interest earnings, are to be used for the enhancement of technological storage, retrieval, and transmission capabilities related to archival quality records. The Recorder collects about \$4,000 to \$5,000 annually for these fees. The balance in this fund is \$40,334. Future purchases will include scanning equipment, maintenance, related software purchases and software licensing.

Land Acquisition and Development Fund (formerly the Conservation Reserve Fund)

Upon request of the County Conservation Board, the Board of Supervisors established a reserve for county conservation land acquisition and capital improvement projects as provided in section 350.6 of the *Code of Iowa*. The Board of Supervisors periodically credits money to the LAD Fund at the request of the Tama County Conservation Board. The balance in the fund was \$233,930 at the end of fiscal 2006. The Board has transferred \$14,400 each year, from 1996 to 2006, into the fund for the County's share in a project to remove silt from Otter Creek Lake. This project is not yet budgeted.

Conservation Resource Enhancement and Protection (REAP) Fund

The Iowa Resources Enhancement and Protection Fund was created pursuant to section 455A.18 of the *Code of Iowa*. A portion of the State funds is allocated to Iowa county conservation accounts. Thirty percent of that amount is allocated equally to each county, thirty percent is allocated to each county on a per capita basis and forty percent is held in an account to award selected projects on a competitive grant basis. Funds may be used for land purchases, capital improvements, stabilization and protection of resources, repairs and upgrading of facilities, environmental education and equipment; however, the State de-appropriated the REAP funds in fiscal year 2003. Some of the county funding has been reinstated. Tama County received \$5,464 plus interest to bring the balance to \$94,964 as of June 30, 2006.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Tama County Administration Building, 104 West State Street, P.O. Box 61, Toledo, Iowa, 52342.

GLOSSARY OF TERMINOLOGY

The following is a listing of terms and their definitions that were used throughout this discussion.

Accrual Basis: The recording of the financial effects on a government of transactions and other events and circumstances that have cash consequences for the government in the periods in which those transactions, events and other circumstances occur rather than only in the periods in which cash is received or paid by the government.

Appropriation: An authorization made by the Board of Supervisors which permits the County to incur obligations and to make expenditures of resources.

Appropriation Resolution: The official enactment by the Board of Supervisors to establish legal authority for County officials to obligate and expend resources.

Assessed Valuation: A value that is established for real or personal property for use as a basis for levying property taxes. (Note: Property values are established by the City and County Assessors.)

Audit: A comprehensive investigation of the manner in which the government's resources were actually utilized. A financial audit is a review of the accounting system and financial information to determine how government funds were spent and whether expenditures were in compliance with the legislative body's appropriations.

Balance Sheet: A financial statement that discloses the assets, liabilities, reserves and balances of an entity at a specified date in accordance with GAAP.

Bond: A written promise to pay a sum of money on a specific date at a specified interest rate. The interest payments and the repayment of the principal are detailed in a bond resolution. The most common types of bonds are general obligation and revenue bonds. These are most frequently used for construction of large capital projects, such as buildings, park improvements, roads and bridges.

Budget: A financial plan for a specified period of time (fiscal year) that matches all planned revenues and expenditures with various County services.

Budget Amendment: A legal procedure utilized by the Board of Supervisors to revise a budgeted service area expenditure appropriation. The Code of Iowa also requires Board approval through the adoption of a resolution for any interdepartmental or inter-fund adjustments.

Budget Calendar: The schedule of key dates or events which County departments and authorized agencies follow in the preparation, adoption, and administration of the budget.

Budget Document: The instrument used by a county department to request or present a proposed budget program to the Board of Supervisors prior to final budget preparation.

Budgeted Funds: Funds that are planned for certain uses and have been legally appropriated by the Board of Supervisors after the annual budget is adopted.

Budget Message: A general discussion of the budget presentation written by the Board of Supervisors, or budget officer as part of a budget document. The budget message contains an explanation of the primary issues addressed in the budget process, expectations of the County budget resources to support expenditures along with information related to changes from the previous fiscal year, such as health insurance premiums, and other inflationary considerations.

Budgetary Control: The control or management of a governmental unit or enterprise in accordance with an approved budget for the purpose of keeping expenditures within the limitations of available appropriations and available revenues.

Capital Improvement Plan: A separate plan from the operating budget is included in the annual budget preparation for construction projects designed to improve the value of the government assets. Examples of capital improvement projects include new roads, new buildings, recreational facilities, and major renovations or remodeling to existing buildings.

Cash Basis: A basis of accounting in which transactions are recorded when cash is either received or disbursed. The budget document is prepared on the cash basis. The annual audit is prepared on the modified accrual basis of accounting for governmental and agency funds and the accrual basis for proprietary funds.

Cash Management: The management of cash necessary to pay for government services while investing temporary cash excesses in order to earn interest revenue. Cash management refers to the activities of forecasting the inflows and outflows of cash, mobilizing cash to improve its availability for investment, establishing and maintaining banking relationships, and investing funds in order to achieve the highest interest while maintaining safety of capital and liquidity.

Current Taxes: Taxes that are levied and due within one year.

Debt Services: The County's obligation to pay the principal and interest of all bonds and other debt instruments according to a pre-determined payment schedule.

Delinquent Taxes: Taxes that remain unpaid on and after the date on which a penalty for non-payment is attached.

Department: A major administrative division of the County which indicates overall management responsibility for an operation or a group of related operations as defined by Iowa law or county ordinance.

Disbursement: Payment in cash.

Estimated Revenue: The amount of projected revenue to be collected during the fiscal year. Certain types of revenue offset similar expenses and are budgeted accordingly by the department with approval by the Board of Supervisors. The Board does not have to amend the budget for additional revenue the County receives in excess of revenue projections.

Expenditure: This term refers to the decreases in net financial resources such as for an asset obtained or goods and services received. This term applies to all governmental funds. The Board must not exceed the approved expenditures that have been officially budgeted without an amendment authorizing the County to spend at a higher amount.

Fiscal Year: The time period designated by the County signifying the beginning and ending period for recording financial transactions. The State of Iowa has determined that County government shall operate on a fiscal year from July 1 to June 30.

Fixed Assets: Tangible assets of long-term character which are intended to continue to be held or used, such as land, buildings, machinery, furniture and other equipment.

FTE: Full-time equivalent; an authorized position equivalent to working 2,080 hours in a year.

Fund: An accounting entity that has a set of self-balancing accounts and that records all financial transactions for specific activities or government functions. Eight commonly used funds in governmental accounting are: general fund, special revenue funds, debt service fund, capital projects fund, enterprise funds, trust and agency funds, internal service funds, and special assessment funds.

Fund Balance: Fund balance is the excess of assets over liabilities and is therefore also known as surplus funds or cash reserves.

Full Faith and Credit: A pledge of the general taxing power of a government to repay debt obligations (typically used in reference to bonds).

General Fund: The fund used to account for all financial resources, except those required to be accounted for in another fund.

General Obligation Bonds: Bonds that finance a variety of public projects such as roads, buildings, and improvements; the repayment of these bonds is usually made from the Debt Service Fund, and are backed by the full faith and credit of the County.

Generally Accepted Accounting Principles (GAAP): Uniform minimum standards and guidelines for financial accounting and reporting. The primary authoritative body on the application of GAAP to the County is the Governmental Accounting Standards Board.

Grant: A contribution by a government or other organization to support a particular function. Grants may be classified as either categorical or block depending upon the amount of discretion allowed the grantee.

Intergovernmental Revenue: Revenue received from another government for a specified purpose.

Internal Service Fund: Funds used to account for the financing of goods or services provided by one department to another department on a cost reimbursement basis, such as self-funded insurance premiums and related activities.

Levy: To impose taxes, special assessments, or service charges for the support of County activities.

Line-Item Budget: A budget that lists each expenditure account (salary, materials, telephone service, travel, etc.) separately, along with the dollar amount budgeted for each specified category.

Modified Accrual Basis: The accrual basis of accounting adapted to the governmental fund-type measurement focus. Revenues and other financial resources increments are recognized when susceptible to accrual, that is, when they become both “measurable” and “available to finance expenditures of the current period.” “Available” means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized when the fund liability is incurred, except for inventories when the purchase method is used and prepaid insurance. All governmental funds are accounted for using the modified accrual basis of accounting.

Operating Budget: The portion of the budget that pertains to daily operations that provide basic governmental services. The operating budget contains appropriations for such expenditures as personnel, supplies, utilities, materials, travel and fuel.

Operating Transfers: All inter-fund transfers other than residual equity transfers (e.g., legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended).

Property Tax: Taxes levied according to the property's taxable value and the tax rate.

Property Tax Credit: A credit given against taxes on eligible property under the *Code of Iowa*.

Property Tax Replacement: Moneys apportioned by the state each year to replace all or a portion of the tax that would be due on property eligible for a credit under the *Code of Iowa*.

Reserved Fund Balance: Portion of a fund balance legally restricted for a specific purpose and is not available for general appropriation.

Revenue: Increases in net current assets other than expenditure refunds and transfers. It includes such items as tax payments, fees from specific services, receipts from other governments, grants, shared revenues and interest income.

Risk Management: All ways and means used to avoid accidental loss or to reduce its consequences if it does occur.

Special Revenue Fund: A fund used to account for the proceeds of specific revenue sources, other than capital projects, that are legally restricted to expenditures for specified purposes. GAAP only requires the use of special revenue funds when legally mandated.

Warrant: An order drawn by the County upon the County Treasurer directing the Treasurer to pay a specified amount to the person named or to the bearer. A warrant is payable upon demand and circulates the same as a bank check.

Tama County
Statement of Net Assets
June 30, 2006

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 5,792,853
Receivables:	
Property tax:	
Delinquent	8,233
Succeeding year	6,633,023
Interest and penalty on property tax	36,608
Accounts	32,936
Due from other governments	532,423
Inventories	632,153
Capital assets (net of accumulated depreciation)	19,988,702
Total assets	<u>33,656,931</u>
Liabilities	
Accounts payable	620,784
Salaries and benefits payable	64,719
Due to other governments	624,703
Deferred revenue:	
Succeeding year property tax	6,633,023
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	225,661
Portion due or payable after one year:	
Termination benefits	6,434
Total liabilities	<u>8,175,324</u>
Net Assets	
Invested in capital assets	19,988,702
Restricted for:	
Supplemental levy purposes	1,356,185
Secondary roads purposes	1,526,876
Other purposes	990,107
Unrestricted	1,619,737
Total net assets	<u>\$ 25,481,607</u>

Tama County
Statement of Activities
Year Ended June 30, 2006

		Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses	Service		
Functions/Programs:				
Governmental activities:				
Public safety and legal services	\$ 2,406,884	550,460	46,032	-
Physical health and social services	1,105,088	374,442	309,970	-
Mental health	2,378,958	150,673	1,115,405	2,714
County environment and education	614,585	43,022	49,298	94,978
Roads and transportation	4,865,810	37,515	3,381,142	1,446,945
Governmental services to residents	409,278	285,069	395	107,911
Administration	1,142,205	36,646	-	-
Non-program	273,956	299,988	-	-
Total	<u>\$ 13,196,764</u>	<u>1,777,815</u>	<u>4,902,242</u>	<u>1,652,548</u>

General Revenues:

Property and other county tax levied for:

General purposes

Interest and penalty on property tax

State tax credits

Local option sales tax

Unrestricted investment earnings

Gain on sale of property and equipment

Miscellaneous

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

Net (Expense)
Revenue and Changes
in Net Assets

(1,810,392)
(420,676)
(1,110,166)
(427,287)
(208)
(15,903)
(1,105,559)
26,032

(4,864,159)

6,173,986
81,165
424,729
465,352
180,785
1,663
13,549

7,341,229

2,477,070

23,004,537

\$ 25,481,607

Tama County
Balance Sheet
Governmental Funds
June 30, 2006

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 2,263,258	158,103	242,364	987,935
Receivables:				
Property tax:				
Delinquent	7,031	879	323	-
Succeeding year	4,295,616	568,799	1,768,608	-
Interest and penalty on property tax	36,608	-	-	-
Accounts	32,466	470	-	-
Due from other governments	151,086	21,826	78,139	281,372
Inventories	-	-	-	632,153
Total assets	\$ 6,786,065	750,077	2,089,434	1,901,460
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 78,596	72,795	1,813	234,094
Salaries and benefits payable	30,182	2,523	3,524	28,490
Due to other governments	1,605	620,374	-	2,724
Deferred revenue:				
Succeeding year property tax	4,295,616	568,799	1,768,608	-
Other	42,982	852	323	-
Total liabilities	4,448,981	1,265,343	1,774,268	265,308
Fund balances:				
Reserved for:				
Supplemental levy purposes	1,356,185	-	-	-
Unreserved, reported in:				
General fund	980,899	-	-	-
Special revenue funds	-	(515,266)	315,166	1,636,152
Capital projects fund	-	-	-	-
Total fund balances	2,337,084	(515,266)	315,166	1,636,152
Total liabilities and fund balances	\$ 6,786,065	750,077	2,089,434	1,901,460

Capital Projects	Nonmajor Special Revenue	Total
59,574	719,950	4,431,184
-	-	8,233
-	-	6,633,023
-	-	36,608
-	-	32,936
-	-	532,423
-	-	632,153
59,574	719,950	12,306,560
66,538	1,270	455,106
-	-	64,719
-	-	624,703
-	-	6,633,023
-	-	44,157
66,538	1,270	7,821,708
-	-	1,356,185
-	-	980,899
-	718,680	2,154,732
(6,964)	-	(6,964)
(6,964)	718,680	4,484,852
59,574	719,950	12,306,560

Tama County
Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets
June 30, 2006

Exhibit D

Total governmental fund balances (page 24) \$ 4,484,852

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$37,671,688 and the accumulated depreciation is \$17,682,986. 19,988,702

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 44,157

The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Assets. 1,195,991

Long-term liabilities, including compensated absences payable and termination benefits payable are not due and payable in the current period and, therefore, are not reported in the funds. (232,095)

Net assets of governmental activities (page 20) \$ 25,481,607

Tama County
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2006

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 4,278,144	535,082	1,826,007	-
Interest and penalty on property tax	63,803	-	-	-
Intergovernmental	1,561,776	1,299,159	89,838	3,427,629
Licenses and permits	12,501	-	-	1,907
Charges for service	514,630	3,678	-	-
Use of money and property	201,287	-	-	-
Miscellaneous	13,549	470	-	35,608
Total revenues	6,645,690	1,838,389	1,915,845	3,465,144
Expenditures:				
Operating:				
Public safety and legal services	2,383,454	-	24,316	-
Physical health and social services	1,121,910	-	-	-
Mental health	-	2,387,504	-	-
County environment and education	474,501	-	87,493	-
Roads and transportation	-	-	344,302	4,853,132
Governmental services to residents	418,242	-	3,108	-
Administration	1,107,117	-	-	-
Non-program	827	-	-	-
Capital projects	74,674	-	-	118,180
Total expenditures	5,580,725	2,387,504	459,219	4,971,312
Excess (deficiency) of revenues over (under) expenditures	1,064,965	(549,115)	1,456,626	(1,506,168)
Other financing sources (uses):				
Sale of capital assets	-	-	-	1,663
Operating transfers in	-	-	-	1,513,413
Operating transfers out	(354,120)	-	(1,401,901)	-
Total other financing sources (uses)	(354,120)	-	(1,401,901)	1,515,076
Net change in fund balances	710,845	(549,115)	54,725	8,908
Fund balances beginning of year	1,626,239	33,849	260,441	1,627,244
Fund balances end of year	\$ 2,337,084	(515,266)	315,166	1,636,152

Capital Projects	Nonmajor Special Revenue	Total
	-	6,639,233
-	-	63,803
-	64,115	6,442,517
-	-	14,408
-	4,144	522,452
-	11,728	213,015
910	8,293	58,830
910	88,280	13,954,258

-	72,685	2,480,455
-	-	1,121,910
-	-	2,387,504
-	17,243	579,237
-	-	5,197,434
-	112,047	533,397
-	-	1,107,117
-	-	827
107,874	20,294	321,022
107,874	222,269	13,728,903

(106,964)	(133,989)	225,355
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-	-	1,663
100,000	144,178	1,757,591
-	(1,570)	(1,757,591)
100,000	142,608	1,663

(6,964)	8,619	227,018
-	710,061	4,257,834

(6,964)	718,680	4,484,852
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Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities
Year Ended June 30, 2006

Net change in fund balances - Total governmental funds (page 27) \$ 227,018

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 1,883,779		
Capital assets contributed by the Iowa Department of Transportation	1,400,458		
Depreciation expense	<u>(1,374,430)</u>		1,909,807

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	17,467
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	(12,443)		
Termination benefits	<u>(6,434)</u>		(18,877)

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

341,655

Change in net assets of governmental activities (page 22)	<u><u>\$ 2,477,070</u></u>
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Tama County
Statement of Net Assets
Proprietary Fund
June 30, 2006

Exhibit G

	<u>Internal Service- Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 1,361,669
Liabilities	
Accounts payable	<u>165,678</u>
Net Assets	
Unrestricted	<u><u>\$ 1,195,991</u></u>

Tama County
Statement of Revenues, Expenses and Changes
in Fund Net Assets
Proprietary Fund
Year Ended June 30, 2006

	<u>Internal Service- Employee Group Health</u>
Operating revenues:	
Reimbursements from operating funds	\$ 1,653,503
Reimbursements from others	32,809
Insurance reimbursements	<u>13,281</u>
Total operating revenues	1,699,593
Operating expenses:	
Health claims and administrative services	<u>1,384,797</u>
Operating income	314,796
Non-operating revenues:	
Interest income	<u>26,859</u>
Net income	341,655
Net assets beginning of year	<u>854,336</u>
Net assets end of year	<u><u>\$ 1,195,991</u></u>

Tama County
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2006

Exhibit I

	<u>Internal Service- Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,653,503
Cash received from employees and others	32,809
Cash received from insurance reimbursements	13,281
Cash paid to suppliers for services	<u>(1,387,604)</u>
Net cash provided by operating activities	311,989
Cash flows from investing activities:	
Interest on investments	<u>26,859</u>
Net increase in cash and cash equivalents	338,848
Cash and cash equivalents at beginning of year	<u>1,022,821</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,361,669</u></u>
Reconciliations of operating income to net cash provided by operating activities:	
Operating income	\$ 314,796
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Decrease) in accounts payable	<u>(2,807)</u>
Net cash provided by operating activities	<u><u>\$ 311,989</u></u>

Tama County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2006

Exhibit J

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,518,606
Other County officials	11,472
Receivables:	
Property tax:	
Delinquent	28,836
Succeeding year	13,244,210
Accounts	37,799
Due from other governments	22,979
Total assets	<u>14,863,902</u>

Liabilities

Accounts payable	62,444
Salaries and benefits payable	7,578
Due to other governments	14,738,031
Trusts payable	37,993
Compensated absences	17,856
Total liabilities	<u>14,863,902</u>

Net assets	<u><u>\$ -</u></u>
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Tama County
Notes to Financial Statements
June 30, 2006

(1) Summary of Significant Accounting Policies

Tama County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Tama County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Tama County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Drainage District #3 has been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although this district is legally separate from the County, it is controlled, managed and supervised by the Tama County Board of Supervisors. This drainage district is reported as a Special Revenue Fund. The County has other drainage districts that are managed and supervised by elected trustees. The financial transactions of these districts are reported in an agency fund. Financial information of the individual drainage districts can be obtained from the Tama County Auditor's office.

Tama County
Notes to Financial Statements (Continued)
June 30, 2006

(1) **Summary of Significant Accounting Policies (continued)**

A. Reporting Entity (continued)

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Tama County Assessor's Conference Board, Tama County Joint E-911 Service Board, Tama County Economic Development Commission and Tama County Emergency Management Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following additional jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Heartland Risk Pool Insurance, Tama County Solid Waste Disposal Commission, Multi-County Cooperative Child Support Agreement, County Case Management Services, Mid-Iowa Drug Task Force, Northeast Iowa Response Group, Central Iowa Juvenile Detention Center and Region VI Planning Commission.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

Tama County
Notes to Financial Statements (Continued)
June 30, 2006

(1) **Summary of Significant Accounting Policies (continued)**

B. Basis of Presentation (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Tama County
Notes to Financial Statements (Continued)
June 30, 2006

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, compensated absences and termination benefits are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Tama County
Notes to Financial Statements (Continued)
June 30, 2006

(1) Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For the purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertibly to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Tama County
Notes to Financial Statements (Continued)
June 30, 2006

(1) **Summary of Significant Accounting Policies (continued)**

D. Assets, Liabilities and Fund Equity (continued)

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2005.

Interest and penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Tama County
Notes to Financial Statements (Continued)
June 30, 2006

(1) **Summary of Significant Accounting Policies (continued)**

D. Assets, Liabilities and Fund Equity (continued)

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	20 – 50
Building improvements	20 – 50
Infrastructure	30 – 50
Equipment	5 – 20
Vehicles	7 – 10

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Tama County
Notes to Financial Statements (Continued)
June 30, 2006

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-term Liabilities – In the government-wide and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets – The net assets of the Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements in certain departments exceeded the amounts appropriated.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,198,868 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Tama County
Notes to Financial Statements (Continued)
June 30, 2006

(2) Cash and Pooled Investments (continued)

Interest rate risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

Credit risk. The investment in Iowa Public Agency Investment Trust is unrated.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Capital Projects	General	\$ 100,000
Special Revenue: Vehicle Replacement/Computer Maintenance	General	136,130
Special Revenue: Conservation Land Acquisition	General	6,478
Special Revenue: County Recorder's Records Management	County Recorder's Electronic Transaction Fees	1,570
Special Revenue: Secondary Roads	General	111,512
	Special Revenue: Rural Services	<u>1,401,901</u>
		\$ <u><u>1,757,591</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Tama County
Notes to Financial Statements (Continued)
June 30, 2006

(4) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

		Termination Benefits	Compensated Absences	Total
Balance beginning of year	\$	-	213,218	213,218
Increases		6,434	13,419	19,853
Decreases		-	976	976
Balance end of year	\$	6,434	225,661	232,095
Due within one year	\$	-	225,661	225,661

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 1,605
Special Revenue:		
Secondary Roads	Services	2,724
Mental Health	Services	620,374
		<u>623,098</u>
Total for governmental funds		\$ <u>624,703</u>
Agency:		
County Assessor	Collections	615,823
Schools		8,839,113
Community Colleges		730,049
Corporations		3,375,097
Townships		263,835
Auto License and Use Tax		323,816
E-911		133,881
Emergency Management Services		142,876
All other		313,541
Total for agency funds		\$ <u>14,738,031</u>

Tama County
Notes to Financial Statements (Continued)
June 30, 2006

(6) Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 321,889	15,000	-	336,889
Construction in progress	-	66,538	-	66,538
Total capital assets not being depreciated	321,889	81,538	-	403,427
Capital assets being depreciated:				
Buildings	4,983,205	8,678	-	4,991,883
Equipment and vehicles	7,255,081	610,579	351,441	7,514,219
Infrastructure, road network	22,172,998	2,589,161	-	24,762,159
Total capital assets being depreciated	34,411,284	3,208,418	351,441	37,268,261
Less accumulated depreciation for:				
Buildings	1,702,304	100,509	-	1,802,813
Equipment and vehicles	4,180,175	488,047	345,722	4,322,500
Infrastructure, road network	10,771,799	785,874	-	11,557,673
Total accumulated depreciation	16,654,278	1,374,430	345,722	17,682,986
Total capital assets being depreciated, net	17,757,006	1,833,988	5,719	19,585,275
Governmental activities capital assets, net	\$ 18,078,895	1,915,526	5,719	19,988,702

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 61,041
Physical health and social services	17,472
County environment and education	27,071
Roads and transportation	1,221,291
Governmental services to residents	4,915
Administration	42,640
Total depreciation expenses - governmental activities	<u>\$1,374,430</u>

Tama County
Notes to Financial Statements (Continued)
June 30, 2006

(7) Tama County Employee Group Health Fund

The Internal Service, Tama County Employee Health Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by County contributions and is administered through a service agreement with Lockton Benefits, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$32,500. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Tama County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Gallagher Benefits, Inc. from the Tama County Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2006 was \$1,648,085.

Amounts payable from the Health Insurance Fund at June 30, 2006 total \$165,678, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$1,195,991 at June 30, 2006 and is reported as a designation of the Internal Service, Employee Group Health Fund retained earnings. A liability has been established based on the requirements of Government Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. Information on a reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims as of July 1, 2005	\$ <u>216,915</u>
Incurred claims (including claims incurred but not reported as of June 30, 2006)	1,104,519
Payments on claims during the fiscal year	<u>1,155,756</u>
Unpaid claims at June 30, 2006	\$ <u>165,678</u>

(8) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Tama County
Notes to Financial Statements (Continued)
June 30, 2006

(8) Pension and Retirement Benefits (continued)

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$290,243, \$279,999 and \$262,394, respectively, equal to the required contributions for each year.

(9) Risk Management

Tama County is a member in the Heartland Risk Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Risk Pool (Pool) is a local government risk-sharing pool with ten counties as members. The Pool was formed July 1, 1987 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, law enforcement liability, property, inland marine and workers' compensation. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Any year end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2006 were \$292,293.

The pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains automobile and general liability risks in excess of \$250,000 up to \$1,000,000 per claim. The Pool retains workers' compensation risks in excess of \$350,000 up to \$1,000,000 per claim. Automobile and general liability claims exceeding \$1,000,000 are reinsured in an amount not to exceed \$3,000,000 per claim. Workers' compensation claims exceeding \$1,000,000 are reinsured in an amount not to exceed \$2,000,000. Crime lines of business risks are retained by the Pool up to \$25,000 per occurrence. Automobile physical damage risks are retained by the Pool up to the replacement cost of the vehicle. All property, inland marine, boiler, public officials errors and omissions, business income and expense and law enforcement liability risks are also reinsured on an individual member basis.

Tama County
Notes to Financial Statements (Continued)
June 30, 2006

(9) Risk Management (continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total member's equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the County's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Initial membership into the Pool is for a mandatory three year period. Subsequent to the initial term, a member County may withdraw at the end of any given fiscal year. The initial membership period for Tama County commenced July 1, 1987 and is subject to renewal every three years. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution, which the withdrawing member would have made for the one year period following withdrawal and the member's proportionate share of any capital deficiency.

(10) Contingent Liability

During the year ended June 30, 1994 an underground storage tank investigation classified three former underground storage tank sites in Tama County as high risk, requiring the County to submit plans for remedial action to the Iowa Department of Natural Resources. The County is currently contesting the high risk classification for two of the three sites. The County estimates the costs to remediate the sites under the proposed plans to be approximately \$75,000 per site. As a result, a liability for \$150,000 has been recorded in accounts payable in the Secondary Roads Fund at June 30, 2006.

The environmental impact of the sites is currently unknown and the potential liability, if any, for additional costs associated with the sites is indeterminable.

(11) Deficit Balance

The Mental Health Fund had a deficit balance of \$515,266 at June 30, 2006. The deficit balance was a result of losses sustained in the Supported Employment Program. The deficit will be eliminated through budget cuts and allowable growth funds. The Capital Projects Fund had a deficit balance of \$6,964 at June 30, 2006. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of state grants.

Tama County
Notes to Financial Statements (Continued)
June 30, 2006

(12) Termination Benefits

County employees are allowed to accumulate 800 hours of sick leave. Once that limit has been met the employee will accrue two hours of sick leave per month banked in a separate account. These accumulated hours cannot be used for sick leave, but upon retirement (as defined by IPERS) can be converted to dollars to purchase continuing health insurance through the County. The value of this account will be figured using the current wage of the employee at the time of retirement. At June 30, 2006, the County has obligations to nine participants with a total liability of \$6,434.

Tama County
 Budgetary Comparison Schedule of
 Receipts, Disbursements and Changes in Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds
 Required Supplementary Information
 Year Ended June 30, 2006

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 6,635,221	-
Interest and penalty on property tax	63,410	-
Intergovernmental	6,571,455	-
Licenses and permits	14,408	-
Charges for services	516,586	-
Use of money and property	213,012	-
Miscellaneous	54,813	-
Total receipts	<u>14,068,905</u>	<u>-</u>
Disbursements:		
Public safety and legal services	2,514,349	-
Physical health and social services	1,132,532	-
Mental health	1,816,660	-
County environment and education	629,674	-
Roads and transportation	5,376,289	-
Governmental services to residents	525,929	-
Administration	1,108,577	-
Non-program	827	-
Capital projects	258,304	-
Total disbursements	<u>13,363,141</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	705,764	-
Other financing sources, net	<u>1,663</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	707,427	-
Balance beginning of year	<u>3,723,757</u>	859
Balance end of year	<u>\$ 4,431,184</u>	<u>859</u>

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
6,635,221	6,629,395	6,629,395	5,826
63,410	52,000	52,000	11,410
6,571,455	7,844,461	8,077,965	(1,506,510)
14,408	12,000	12,000	2,408
516,586	491,000	491,000	25,586
213,012	85,000	85,000	128,012
54,813	255,160	256,473	(201,660)
14,068,905	15,369,016	15,603,833	(1,534,928)
2,514,349	2,780,325	2,786,325	(271,976)
1,132,532	1,250,743	1,360,247	(227,715)
1,816,660	2,030,123	2,030,123	(213,463)
629,674	593,654	718,654	(88,980)
5,376,289	5,731,474	5,782,120	(405,831)
525,929	681,051	681,051	(155,122)
1,108,577	1,164,964	1,183,964	(75,387)
827	13,000	13,000	(12,173)
258,304	2,834,901	2,134,901	(1,876,597)
13,363,141	17,080,235	16,690,385	(3,327,244)
705,764	(1,711,219)	(1,086,552)	1,792,316
1,663	-	-	1,663
707,427	(1,711,219)	(1,086,552)	1,793,979
3,722,898	3,443,477	3,649,520	73,378
4,430,325	1,732,258	2,562,968	1,867,357

Tama County
 Budgetary Comparison Schedule -
 Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 14,068,905	(114,647)	13,954,258
Expenditures	13,363,141	365,762	13,728,903
Net	705,764	(480,409)	225,355
Other financing sources, net	1,663	-	1,663
Beginning fund balances	3,723,757	534,077	4,257,834
Ending fund balances	\$ 4,431,184	53,668	4,484,852

Tama County
Notes to Required Supplementary Information-
Budgetary Reporting
June 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments decreased budgeted disbursements by \$389,850. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2006, disbursements in certain departments exceeded the amounts appropriated.

Tama County
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2006

	Resource Enhancement and Protection	Vehicle Replacement / Computer Maintenance	Medicaid Reimburse- ment	Land Acquisition and Development Fund
Assets				
Cash and pooled investments	\$ 94,964	80,249	21,720	233,930
Total assets	<u>\$ 94,964</u>	<u>80,249</u>	<u>21,720</u>	<u>233,930</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	38	-	-
Fund equity:				
Fund balances:				
Unreserved	94,964	80,211	21,720	233,930
Total liabilities and fund equity	<u>\$ 94,964</u>	<u>80,249</u>	<u>21,720</u>	<u>233,930</u>

Tama County Nature Center	Security Services	County Recorder's Records Management	County Sheriff's Forfeiture Fund	County Sheriff's DARE Monies	County Attorney's Forfeiture Fund	Drainage District	Total
88,820	140,252	40,334	12,351	4,204	2,267	859	719,950
88,820	140,252	40,334	12,351	4,204	2,267	859	719,950
-	1,232	-	-	-	-	-	1,270
88,820	139,020	40,334	12,351	4,204	2,267	859	718,680
88,820	140,252	40,334	12,351	4,204	2,267	859	719,950

Tama County
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2006

	Resource Enhancement and Protection	Vehicle Replacement / Computer Maintenance	Medicaid Reimburse- ment	Land Acquisition and Development Fund
Revenues:				
Intergovernmental	\$ 5,464	-	-	14,400
Charges for service	-	-	-	-
Use of money and property	2,089	-	-	4,558
Miscellaneous	-	-	-	-
Total revenues	7,553	-	-	18,958
Expenditures:				
Operating:				
Public safety	-	-	-	-
County environment and education	-	-	-	-
Governmental services to residents	-	105,139	-	-
Capital projects	-	20,294	-	-
Total expenditures	-	125,433	-	-
Excess (deficiency) of revenues over (under) expenditures	7,553	(125,433)	-	18,958
Other financing sources (uses):				
Operating transfers in	-	136,130	-	6,478
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	136,130	-	6,478
Net change in fund balances	7,553	10,697	-	25,436
Fund balances beginning of year	87,411	69,514	21,720	208,494
Fund balances end of year	\$ 94,964	80,211	21,720	233,930

Tama County Nature Center	Security Services	County Recorder's Records Management	County Sheriff's Forfeiture Fund	County Sheriff's DARE Monies	County Recorder's Electronic Transaction Fee	County Attorney's Forfeiture Fund	Drainage District	Total
14,225	30,026	-	-	-	-	-	-	64,115
-	-	4,144	-	-	-	-	-	4,144
4,686	-	339	-	-	56	-	-	11,728
6,726	-	-	-	-	-	1,567	-	8,293
25,637	30,026	4,483	-	-	56	1,567	-	88,280
-	70,240	-	2,102	343	-	-	-	72,685
17,243	-	-	-	-	-	-	-	17,243
-	-	5,339	-	-	1,569	-	-	112,047
-	-	-	-	-	-	-	-	20,294
17,243	70,240	5,339	2,102	343	1,569	-	-	222,269
8,394	(40,214)	(856)	(2,102)	(343)	(1,513)	1,567	-	(133,989)
-	-	1,570	-	-	-	-	-	144,178
-	-	-	-	-	(1,570)	-	-	(1,570)
-	-	1,570	-	-	(1,570)	-	-	142,608
8,394	(40,214)	714	(2,102)	(343)	(3,083)	1,567	-	8,619
80,426	179,234	39,620	14,453	4,547	3,083	700	859	710,061
88,820	139,020	40,334	12,351	4,204	-	2,267	859	718,680

Tama County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2006

	County Offices		Agricultural		
	County Recorder	County Sheriff	Extension Education	County Assessor	Schools
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	-	3,486	335,190	231,584
Other County officials	7,259	4,213	-	-	-
Receivables:					
Property tax:					
Delinquent	-	-	201	457	13,619
Succeeding year	-	-	129,997	287,861	8,593,910
Accounts	2,369	-	-	55	-
Due from other governments	-	-	-	-	-
Total assets	\$ 9,628	4,213	133,684	623,563	8,839,113
Liabilities					
Accounts payable	\$ -	-	-	202	-
Salaries and benefits payable	-	-	-	1,210	-
Due to other governments	9,628	24	133,684	615,823	8,839,113
Trusts payable	-	4,189	-	-	-
Compensated absences	-	-	-	6,328	-
Total liabilities	\$ 9,628	4,213	133,684	623,563	8,839,113

Community Colleges	Corporations	Townships	Special Assessments	Auto License and Use Tax	Empowerment	Emergency Management Services	E-911
17,466	110,210	5,495	4,842	323,816	98,509	132,365	116,010
-	-	-	-	-	-	-	-
1,002	13,495	58	-	-	-	-	-
711,581	3,251,392	258,282	-	-	-	-	-
-	-	-	-	-	3,536	-	24,757
-	-	-	-	-	-	22,979	-
730,049	3,375,097	263,835	4,842	323,816	102,045	155,344	140,767
-	-	-	-	-	34,368	918	6,886
-	-	-	-	-	-	4,216	-
730,049	3,375,097	263,835	4,842	323,816	67,677	142,876	133,881
-	-	-	-	-	-	-	-
-	-	-	-	-	-	7,334	-
730,049	3,375,097	263,835	4,842	323,816	102,045	155,344	140,767

Tama County
Combining Schedule of Fiduciary Assets and Liabilities (Continued)
Agency Funds
June 30, 2006

Schedule 3

	Economic Development	Sanitary Landfill	Third Party Payees	Other	Total
Assets					
Cash and pooled investments:					
County Treasurer	\$ 24,289	46,081	33,804	35,459	1,518,606
Other County officials	-	-	-	-	11,472
Receivables:					
Property tax:					
Delinquent	-	-	-	4	28,836
Succeeding year	-	-	-	11,187	13,244,210
Accounts	-	7,082	-	-	37,799
Due from other governments	-	-	-	-	22,979
Total assets	\$ 24,289	53,163	33,804	46,650	14,863,902
Liabilities					
Accounts payable	\$ 6,843	13,227	-	-	62,444
Salaries and benefits payable	475	1,677	-	-	7,578
Due to other governments	14,713	36,323	-	46,650	14,738,031
Trusts payable	-	-	33,804	-	37,993
Compensated absences	2,258	1,936	-	-	17,856
Total liabilities	\$ 24,289	53,163	33,804	46,650	14,863,902

Tama County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2006

	County Offices			Agricultural
	County	County	County	Extension
	Auditor	Recorder	Sheriff	Education
Assets and Liabilities				
Balances beginning of year	\$ -	12,392	44,120	132,557
Additions:				
Property and other county tax	-	-	-	122,305
E-911 surcharge	-	-	-	-
State tax credits	-	-	-	8,509
Interest	-	-	-	-
Office fees and collections	2,674	350,967	478,258	-
Auto licenses, drivers license, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	178,009	-
Reimbursements from other governments	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	2,674	350,967	656,267	130,814
Deductions:				
Agency remittances:				
To other funds	2,674	124,247	519,480	-
To other governments	-	229,484	10,088	129,687
Trusts paid out	-	-	166,606	-
Total deductions	2,674	353,731	696,174	129,687
Balances end of year	\$ -	9,628	4,213	133,684

County Assessor	Schools	Community Colleges	Corporations	Townships	Special Assessments	Auto License and Use Tax	Empower- ment
561,793	8,681,313	681,596	2,868,476	243,042	1,404	317,150	74,199
270,413	8,078,141	669,556	3,348,398	245,166	-	-	-
-	-	-	-	-	-	-	-
19,357	559,897	43,119	215,296	14,840	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	3,724,453	-
-	-	-	-	-	21,573	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,146	-	-	-	-	-	-	252,022
290,916	8,638,038	712,675	3,563,694	260,006	21,573	3,724,453	252,022
-	-	-	-	-	-	127,011	-
229,146	8,480,238	664,222	3,057,073	239,213	18,135	3,590,776	224,176
-	-	-	-	-	-	-	-
229,146	8,480,238	664,222	3,057,073	239,213	18,135	3,717,787	224,176
623,563	8,839,113	730,049	3,375,097	263,835	4,842	323,816	102,045

Tama County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds (Continued)
Year Ended June 30, 2006

	Emergency Management Services	E-911	Economic Development	Sanitary Landfill
Assets and Liabilities				
Balances beginning of year	\$ 34,196	116,324	30,081	163,078
Additions:				
Property and other county tax	-	-	-	-
E-911 surcharge	-	113,984	-	-
State tax credits	-	-	-	-
Interest	-	1,548	-	-
Office fees and collections	-	-	-	-
Auto licenses, drivers license, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	-	-
Reimbursements from other governments	577,979	-	113,880	-
Miscellaneous	28,093	-	10,073	443,233
Total additions	606,072	115,532	123,953	443,233
Deductions:				
Agency Remittances:				
To other funds	-	-	-	-
To other governments	484,924	91,089	129,745	553,148
Trusts paid out	-	-	-	-
Total deductions	484,924	91,089	129,745	553,148
Balances end of year	\$ 155,344	140,767	24,289	53,163

Third Party Payees	Other	Total
15,815	69,079	14,046,615
-	31,504	12,765,483
-	-	113,984
-	683	861,701
-	-	1,548
-	4,115	836,014
-	-	3,724,453
-	-	21,573
254,805	295,463	728,277
-	5,834	697,693
-	-	734,567
254,805	337,599	20,485,293
-	-	773,412
-	47,707	18,178,851
236,816	312,321	715,743
236,816	360,028	19,668,006
33,804	46,650	14,863,902

Tama County
Schedule of Revenues By Source and Expenditures By Function -
All Governmental Funds
For the Last Four Years

Modified Accrual Basis				
	2006	2005	2004	2003
Revenues:				
Property and other county tax	\$ 6,639,233	6,302,697	5,931,794	5,211,802
Interest and penalty on property tax	63,803	110,698	53,806	58,411
Intergovernmental	6,442,517	6,258,963	6,194,220	5,803,803
Licenses and permits	14,408	10,841	13,645	6,712
Charges for service	522,452	576,931	542,154	533,987
Use of money and property	213,015	118,865	94,480	120,038
Miscellaneous	58,830	109,005	55,017	120,108
Total	<u>\$ 13,954,258</u>	<u>13,488,000</u>	<u>12,885,116</u>	<u>11,854,861</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,480,455	2,449,550	2,202,911	2,116,423
Physical health and social services	1,121,910	1,119,516	1,102,767	1,009,196
Mental health	2,387,504	1,737,404	1,697,265	1,737,208
County environment and education	579,237	779,924	471,499	841,820
Roads and transportation	5,197,434	5,629,714	5,690,051	4,819,756
Governmental services to residents	533,397	441,282	394,182	616,975
Administration	1,107,117	1,043,037	1,060,873	798,186
Non-program	827	198	973	48,324
Capital projects	321,022	317,057	88,333	52,904
Total	<u>\$ 13,728,903</u>	<u>13,517,682</u>	<u>12,708,854</u>	<u>12,040,792</u>

Tama County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Schedule 6

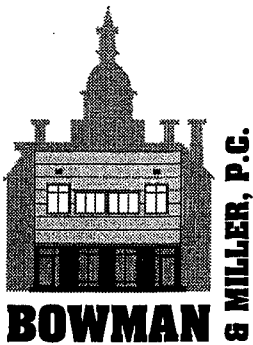
Grantor/Program	CFDA Number	Agency or Pass- through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food			
Stamp Program	10.561		\$ <u>11,752</u>
Iowa Department of Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		<u>3,358</u>
U.S. Department of Justice:			
Iowa Department of Public Health:			
Public Education on Drug Abuse Information	16.005	588TS49	<u>850</u>
Governor's Office of Drug Control Policy:			
Edward Byrne Memorial Formula Grant Program	16.579	03C-1514	<u>17,623</u>
U. S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursement:			
Temporary Assistance for Needy Families	93.558		<u>14,183</u>
Child Care Mandatory and Matching Funds of the			
Child Care and Development Fund	93.596		<u>3,370</u>
Foster Care-Title IV-E	93.658		<u>7,314</u>
Adoption Assistance	93.659		<u>1,797</u>
Medical Assistance Program	93.778		<u>18,907</u>
Social Services Block Grant	93.667		<u>9,449</u>
Social Services Block Grant	93.667		<u>86,666</u>
			<u>96,115</u>
Iowa Department of Public Health:			
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	5885BT01	<u>24,093</u>
Maternal and Child Health Services Block Grant to the States	93.994		<u>24,735</u>
Head Start	93.600		<u>1,927</u>
Immunization Grants	93.268		<u>4,389</u>

Tama County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Schedule 6

Grantor/Program	CFDA Number	Agency or Pass- through Number	Program Expenditures
Iowa Department of Education:			
Temporary Assistance for Needy Families	93.558		206,254
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	14.228	05-CF-034	2,714
Community Development Block Grant:			
Home Investment Partnerships Program	14.239	04-HM-162-65	94,978
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		46,487
Emergency Management Performance Grants	97.042		21,721
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	CO86(56)-8J-86	24,006
Total			\$ 626,573

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Tama County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



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Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Officials of Tama County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tama County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated November 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tama County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Tama County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tama County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

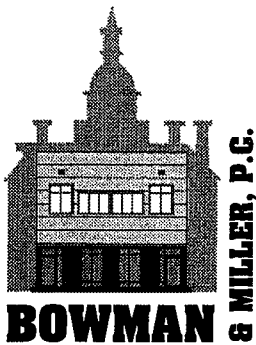
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Tama County and other parties to whom Tama County may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Tama County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Bowman and Miller. P.C.

November 20, 2006



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Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Officials of Tama County:

Compliance

We have audited the compliance of Tama County, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Tama County's major federal programs are identified in Part 1 of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Tama County's management. Our responsibility is to express an opinion on Tama County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tama County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Tama County's compliance with those requirements.

In our opinion, Tama County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Tama County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Tama County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts, and grant agreements that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Tama County and other parties to whom Tama County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Bowman and Miller, P.C.

November 20, 2006

Tama County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Part I: Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 93.667 – Social Services Block Grant
 - CFDA Number 93.558 – Temporary Assistance for Needy Families
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Tama County did not qualify as a low-risk auditee.

Tama County
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-06 Segregation of Duties - During our review of the internal control structure, the existing control procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.

Applicable
Offices

Treasurer,
Recorder

(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.

Treasurer,
Recorder,
Sheriff

(3) Checks should be signed by an individual who does not otherwise participate in the preparation of the checks. Prior to signing, the checks and the supporting documentation should be reviewed for propriety. After signing, the checks should be mailed without allowing them to return to individuals who prepare the checks or approve vouchers for payment.

Treasurer,
Recorder,
Sheriff

Recommendation - We realize that with a limited number of office employees segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Tama County
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006

REPORTABLE CONDITIONS (continued):

Response – Each office will be reminded to segregate duties to practically accomplish internal controls.

Conclusion – Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCE OF NON-COMPLIANCE:

No matters were reported.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 did not exceed the amounts budgeted. However, disbursements in certain departments exceeded the amounts appropriated.

Recommendation – Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – We will continue to monitor the budget and appropriations more closely in the future.

Conclusion – Response accepted.

IV-B-06 Questionable Expenditures – We noted no expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-06 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

Tama County

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2006

- IV-D-06 Business Transactions – The following business transactions between the County and County officials or employees were noted.

Name, Title, and Business Connection	Transaction Description	Amount
Rick Raymond, Secondary Road Employee Owner, Raymond's Wash and Stow	Vehicle Maintenance	<u>\$484</u>

In Accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the County employee do not appear to represent conflicts of interest since total transactions were less than \$1,500 during the fiscal year.

- IV-E-06 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.
- IV-F-06 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policies were noted.
- IV-H-06 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-06 Financial Condition – The Mental Health Fund and the Capital Projects Fund had deficit balances at June 30, 2006 of \$515,266 and \$6,964, respectively.

Recommendation – The County should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – The deficit in the Capital Projects Fund is due to timing in the receipt of grant funds and will return to a positive balance when those funds are received. The deficit in the Mental Health Fund is due to the Supported Employment Program. The board and the CPC Coordinator have reviewed this matter and are working on budget cuts and other revenue sources to return it to a positive balance.

Conclusion – Response accepted.

Tama County
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006

IV-J-06 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2006 for the County Extension Office did not exceed the amount budgeted.

Tama County Audit Staff

This audit was performed by:

Bowman and Miller, P.C.
Certified Public Accountants
Marshalltown, Iowa

Personnel:

Elizabeth A. Miller, CPA, Principal

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